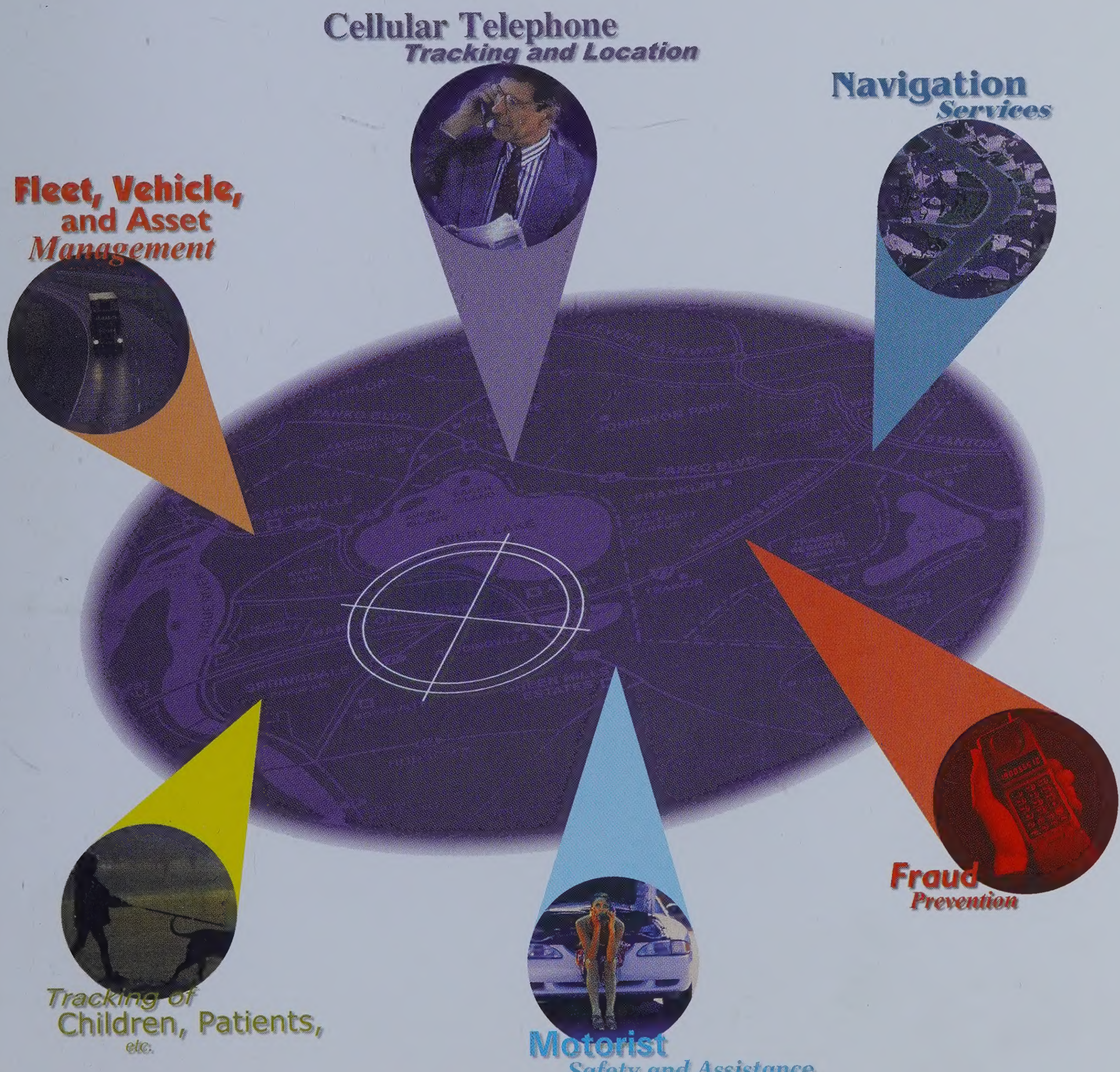
CELL-LOC INC.

Annual Report

Year ended June 30, 1997



Cell-Loc Inc.

ANNUAL REPORT

YEAR ENDED JUNE 30, 1997

CORPORATE PROFILE

Founded in 1995, Cell-Loc Inc. has developed a patented automatic location identification (ALI) technology that forms the basis for its Cellocate™ products, a series of network-based wireless location products currently under development. The Company's primary focus is to provide cellular telephone service providers with a series of products that will enable them to comply with the United States' Federal Communications Commission (FCC) E-911 regulations prior to the scheduled deadline of October 2001 and leverage an extensive list of wireless location applications as a competitive differentiator and source of new revenue generating service offerings.

Cell-Loc Inc. corporate headquarters are located at 12 Manning Close, NE, Suite 207, Calgary, Alberta T2E 7N6. World Wide Web URL: www.cell-loc.com.

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REPORT TO SHAREHOLDERS

On behalf of your Board of Directors we are pleased to present the Company's first Annual Report, reporting on achievements during the year ended June 30, 1997 and outlining the Company's future.

Brief history of the Company

Since this is the Company's first ever Annual Report as a public company, we would like to provide a brief history and background to the Company.

Cell-Loc Inc. ("Cell-Loc") was incorporated June 30, 1995 to market, on a global basis, patented technology which provides the potential for locating any cellular phone through existing cellular networks. In the United States, the Federal Communications Commission ("FCC"), the regulatory body governing cellular telephones, has issued a ruling that will require all cellular telephone carriers to provide location information on all 911 calls. By the year 2001, this location information is to provide 125 metres of accuracy, 67% of the time. Management of the Company believes that the Canadian regulatory groups will initiate a similar ruling. The Company has developed technology that can respond to this ruling.

While the E-911 application provides a key driving force for the service providers from a regulatory compliance perspective, the telephone companies are interested in location technology in order to offer new revenue generating services such as location sensitive billing and other applications detailed under **"Customers and marketing strategies"**.

The major advantage of the Company's technology is that no change is required to the cellular phone in order for its location to be detected. This is a crucial factor since there are in excess of 50 million cellular telephones already in use in North America. The Company's product is designed to be installed in the base stations of the cellular telephone carrier.

The Company's product is known as "Cellocate™". Cell-Loc has the exclusive right to develop and market this proprietary cellular location technology through licence and sub-licence agreements with Wi-Com Technologies Inc. ("Wi-Com") and Wi-LAN Inc. ("Wi-LAN"), both related companies. The agreement with Wi-LAN Inc. provides Cell-Loc with an exclusive licence to use and modify an existing hardware platform, named the "Hopper Plus", for the purpose of location tracking. Product development is on schedule and test trials have achieved planned milestones. Cellocate-AMPS™, the first product, is scheduled for shipment in the second half of 1998.

Financial results

As 1996/1997 was a development period, a net loss was incurred for the fiscal year of $451,573 ($0.05 per share) compared to $68,458 ($0.01 per share) a year ago. Cash outflow from operations was $364,431 compared to $23,378 last year. The operating loss for the year comprises expenditures relating to the development and marketing of the Company's cellular telephone tracking system and was in line with the Company's business plan. The Company's product is still in the development and testing stage and, as anticipated, no revenues were recorded during the year.

Initial Public Offering

On April 10, 1997 the Company closed its initial public offering, raising $1,000,000 on the Alberta Stock Exchange by issuing 2,500,000 Common shares at $0.40 per share. McDermid St Lawrence Securities Ltd. acted as agent for the offering. The shares commenced trading under the symbol "CLQ" on April 16, 1997.

Customers and marketing strategies

Management of the Company estimates that there are currently over 45,000 existing cellular base stations in North America, with over 4,500 base stations being added annually. Analysis of existing cellular infrastructure indicates that, in time all base stations could be equipped with location identification capability depending on the services offered by the carriers. In order to meet FCC regulations, and assuming Canadian regulators adopt a similar rule, by the year 2001 almost 60,000 base stations in North America must be capable of tracking 911 call locations. Management estimates that there are currently 100,000 base stations throughout the world, and over the next six years, another 340,000 to 400,000 base stations could be created globally.

The Canadian marketplace consists of 2 major cellular carriers; the national carrier Mobility Canada, represented in Alberta by TELUS Mobility, and Rogers Cantel Inc. Together, these carriers have over 5,000 base stations.

The Company's initial marketing strategy will focus exclusively on the cellular radio frequency ("RF") markets, addressing new "911" regulations and a series of new revenue generating opportunities for service providers. Current product trials in Canada provide an excellent opportunity to verify product capability and validate marketing claims about the product. The Company will use the trials to showcase the product to the global cellular industry.

The Company has started to market in the United States by exhibiting the products at major trade shows (*i.e.* SUPERCOMM '97 and PCS '97) and direct presentations to potential customers. Discussions are also underway with major telecommunications manufacturers who are considering acquiring the capability under licence to manufacture. International interest has been generated by Korea, China and Saudi Arabia as well as by other markets in Europe, Asia and the Middle East, where the driving market application is security services.

Initially, the Company believes Cellocate™ will have a competitive advantage due to the availability, accuracy and cost effectiveness of its current technology. The Company will pursue a long term strategy of ongoing investment in research and development to maintain a technological advantage as other players enter the marketplace. The Company also realizes that it will have to differentiate itself on the quality of its products, people and processes.

Development programs will focus on meeting standards for various markets around the world such as CDMA and GSM, and on developing applications for the technology beyond E-911. These applications for the following markets include;

Commercial	- fleet and vehicle tracking, automated scheduling and dispatch, container and asset tracking;
Consumer	- personal and vehicle safety, navigation and traffic location, information services/electronic yellow pages, locating people and pets;
Service Provider	- fraud prevention, network performance monitoring, location based billing; and
Public Safety	- response to E-911, dispatch assistance, vehicle location.

The extent of the market for E-911 services and other future applications provides the Company with repeat sales opportunities to the same markets for many years to come. Future business will also be fuelled by the rapid growth of wireless communications and the addition of new service providers.

Strategic alliance

The Company has entered into a strategic alliance with TELUS Mobility, a TELUS Corporation company, with respect to the research and development of the Company's technology. TELUS Mobility is Alberta's leading supplier of wireless mobile voice and data communications, through cellular, paging, and private radio systems. TELUS Corporation is Canada's third largest telecommunications and information management services company.

In December, 1996, an initial Memorandum of Understanding ("MOU") was signed with TELUS Mobility for an amount of $50,000 to support trials of Cellocate™ in four TELUS Mobility network cell sites. The trial successfully demonstrated Cellocate™'s fundamental capability and as a result, subsequent to year end, a second MOU was entered into whereby TELUS Mobility provided a further $300,000 to fund extensive trials in late-1997.

The technology

Cellocate™ is an integrated cellular telephone location and tracking system that allows a host software package to locate and position on a map any mobile cellular telephone, with a design intent to provide accuracy within 125 metres or less 67% of the time. The product incorporates three basic technologies:

- wireless location system software, patented and assigned to the Company;
- wireless data transmission technology licenced from Wi-LAN; and
- the Z-Domain technology, one of the essential components of the wireless location technology, sub-licenced from Wi-Com, who has licenced it from TELUS Communications Inc.

The system consists of hardware which receives and demodulates the signal from the transmitting phone, a Global Positioning System ("GPS") antenna which is added to an existing cellular base station that is owned by a cellular carrier company, and most importantly, the SuperResolution (SR) software which is installed

on a host computer at the central switch location and performs, using a patented algorithm, the calculations of information received from the cell sites to determine a precise location. Each Cellocate™ unit is comprised of:

- a GPS receiver to continuously stamp the absolute time of arrival of a cellular telephone transmission at the cellular base station;
- radio and digital hardware to receive and demodulate the voice channel information to identify the transmitting telephone; and
- software within the unit which performs SuperResolution calculations used to accurately determine the Time of Arrival ("TOA") of the cellular telephone's signal at the base station.

Cellocate™ uses at least three, but preferably four or more base stations to provide accurate location information. If three sites are not available, the application software determines a single base station's coverage as the closest known location. No modifications are required to be made to the subscriber's cellular telephone. Management of the Company anticipates that by the year 2000, Cellocate™ will provide accuracy within 125 metres or less 67% of the time.

Management

During the year several management changes were made to reflect the continuing growth of the Company. On June 16, 1997, John S. Webb was appointed President and Chief Executive Officer, succeeding both Dr. Hatim Zaghloul, who remains Chairman of the Board and the former President, Dr. Michel Fattouche. Cell-Loc is very pleased that Dr. Fattouche can now focus on product development as Chief Technical Officer. Mr. Webb is a telecommunications veteran, and one of the few professionals in Canada with executive experience in both the manufacturing and operating aspects of telecommunications. Before joining the Company, Mr. Webb was Senior Vice President of marketing and business development for AGT/TELUS, Canada's third largest telecommunications and information management services company, with annual revenues of $1.3 billion. Before AGT/TELUS, Mr. Webb spent 18 years at Northern Telecom Canada where he held a variety of positions, most recently serving as Assistant Vice President of Marketing for Canada.

In August, the Company further strengthened its senior management team with the appointment of Mr. Jim George as Vice President of Marketing and Technology. Mr. George has had an extensive career involved with global positioning systems and digital mapping. Previously, he was Vice President of Sales with Data Trax Systems Inc. and prior to that, President of Keplerian Positioning Systems Ltd.

The Company recently moved to larger premises in Calgary in response to the continued growth of the Company. During the 96/97 budget year, staffing grew from 4 to 15 with the addition of marketing staff, RF engineers, and software developers.

OUTLOOK

The outlook for the remainder of 1997 and 1998 is very exciting as the Company works towards the achievement of major milestones in the building of its business.

The Company moves into a larger trial with TELUS Mobility in November of 1997. The trial will provide valuable feedback on the success of product development, confirm progress in line with plan to TELUS Mobility and provide an excellent vehicle to showcase Cellocate™ to potential customers and partners.

As the Company intends to outsource the manufacture of Cellocate™ hardware, it will complete currently initiated discussions with a select group of potential partners and commence the establishment of manufacturing capability. The Company expects to be shipping our first products in the third quarter of 1998.

Product development will also branch out from Cellocate-AMPS™ to CDMA, TDMA, and GSM, with the aim of providing product in 1999 to address these growing market opportunities.

Respectfully submitted,

H. Zaghloul
Hatim Zaghloul
Chairman of the Board

J.S. Webb
John S. Webb
President and Chief Executive Officer

FINANCIAL REVIEW

Management's Discussion and Analysis

This discussion and analysis of financial condition and results of operations for the two years ended June 30, 1997 should be read in conjunction with the financial statements and related notes in this Annual Report.

Results of operations

An operating loss was incurred during the year ended June 30, 1997, of $519,268 which compared to $134,458 a year earlier. The net loss for the year, after expense recoveries, investment tax credits, government assistance and interest was $451,573 ($0.05 per share) compared to $68,458 last year ($0.01 per share). The operating loss for the year comprises expenditures relating to the development and marketing of the Company's cellular telephone tracking system and was in line with the Company's business plan.

Operating expenses

Salaries and benefits were $269,525 in 1997 compared to $119,061 a year earlier. The increase reflects the increase in number of employees. General and administrative costs have increased significantly from $14,848 a year ago to $155,141 in 1997. This is due to the increased activity of the Company in developing Cellocate™ and the expansion of the Company's office facilities.

Marketing expenses were incurred during 1997 of $90,899. This principally comprises attendance at trade shows and marketing brochures and materials.

Recoveries and other income

During the year the Company received $50,000 from TELUS Mobility with respect to funding the development of technology. In 1996 there was no such funding.

No investment tax credits were recorded in the current year whereas $30,000 was recorded in 1996. Since the Company is now a public company, tax credits can only be credited against taxes payable. The Company is not taxable at this stage in its development. Approximately $69,500 of investment credits were earned during 1997, however the benefit of these has not been recorded in the financial statements. In 1996, the Company was private and therefore the investment tax credits earned were refundable to the Company.

Government assistance, available under the IRAP program, was $14,250 in 1997 compared to $36,000 in 1996. The reduced amount represents the balance of funds earned, under a limited IRAP grant awarded in 1995, which were received by January 1997.

Financial condition and liquidity

Funds outflow from operations, being cashflow adjusted for non-cash items and changes in non-cash working capital, was $364,431 for the year compared to $23,378 last year. The significant increase reflects the increase in expenses during the year as a result of the Company's growth.

Financing activities during 1997 consisted of net cash received from the issuance of common shares totalling $1,014,127. The majority of this amount was result of the Company's initial public offering whereby 2,500,000 shares were issued at $0.40 per share. Net proceeds of the offering, after deducting issue costs and commission were $853,027. The remaining proceeds from financing activities related to cash received from the exercise of employee stock options and proceeds from issuance of shares while the Company was private.

Investing activities during 1997 of $41,309 related to the acquisition of equipment. In 1996 expenditures of $401,663 related principally to the acquisition of the licence from Wi-LAN to use the Hopper Plus technology as part of the Company's Cellocate™ product.

Cash requirements outlook

As at June 30, 1997 the Company has net cash and short term deposits of $611,346. Subsequent to year end, the Company entered into an agreement whereby TELUS Mobility contributed an additional $300,000 to fund the Company's research and development. As a result, the Company has sufficient funds to meet its cash requirements over the next several months. However the Company has identified the need to obtain additional financing in order to fully complete the development, marketing and manufacturing of its product.

MANAGEMENT'S REPORT

The accompanying financial statements are the responsibility of Management and have been approved by the Board of Directors of the Company. Management is responsible for and has prepared the financial statements in accordance with generally accepted accounting principles in Canada and has made all significant accounting judgements and estimates required. Management has ensured that financial information contained elsewhere in this Annual Report is consistent with the financial statements.

Management has developed and maintains systems of internal controls designed to provide reasonable assurance that reliable and relevant information is produced.

The Board of Directors is responsible for reviewing and approving financial statements and ensuring management meets their financial reporting responsibilities.

The Audit Committee which consists of directors, the majority of whom are not officers of the Company, reviews with Management and the external auditors the annual financial statements prior to submission to the Board of Directors for final approval. The Audit Committee also meets a minimum of four times a year with management and annually with the external auditors to discuss internal control issues, auditing matters and financial reporting issues.

External auditors have free access to the Audit Committee without obtaining prior Management approval.

The shareholders have appointed KPMG as external auditors of the Company and, in that capacity, they have examined the financial statements for the years ended June 30, 1997 and 1996. The Auditors' report to the Shareholders is presented herein.

John S. Webb President and Chief Executive Officer	Alastair J. Robertson Chief Financial Officer

AUDITORS' REPORT

TO THE SHAREHOLDERS

We have audited the balance sheets of Cell-Loc Inc. as at June 30, 1997 and 1996 and the statements of operations and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at June 30, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

KPMG

Chartered Accountants
Calgary, Canada
July 25, 1997

Balance Sheets

June 30, 1997 and 1996

	1997	1996
Assets		
Current assets:		
Cash and short-term deposits	$ 611,346	$ 2,959
Accounts receivable	20,640	9,596
Investment tax credits receivable	30,000	30,000
	661,986	42,555
Capital assets (note 4)	438,720	401,114
	$ 1,100,706	$ 443,669
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued charges	$ 126,704	$ 10,240
Payable to related parties (note 6)	51,906	73,887
	178,610	84,127
Shareholders' equity:		
Share capital (note 7)	1,442,127	428,000
Deficit	(520,031)	(68,458)
	922,096	359,542
Recovery of assets (note 2)		
	$ 1,100,706	$ 443,669

See accompanying notes to financial statements.

On behalf of the Board:

Frank W. King
Director

Charles N. D. Hotzel
Director

Statements of Operations and Deficit

Years ended June 30, 1997 and1996

	1997	1996
Operating expenses:		
Salaries and benefits	$ 269,525	$ 119,061
Depreciation and amortization	3,703	549
General and administrative	155,141	14,848
Marketing	90,899	–
	519,268	134,458
Less:		
Recovery of expenses (note 5)	50,000	–
Investment tax credits (note 8)	–	30,000
Interest income	3,445	–
Government assistance	14,250	36,000
	67,695	66,000
Net loss	(451,573)	(68,458)
Deficit, beginning of year	(68,458)	–
Deficit, end of year	$ (520,031)	$ (68,458)
Loss per share	$ (0.05)	$ (0.01)

See accompanying notes to financial statements.

Statements of Changes in Financial Position

Years ended June 30, 1997 and 1996

	1997	1996
Cash provided by (used in):		
Operating activities:		
Net loss	$ (451,573)	$ (68,458)
Item not involving cash:		
Depreciation and amortization	3,703	549
Change in non-cash working capital	83,439	44,531
Funds outflow from operations	(364,431)	(23,378)
Financing:		
Shares issued, net	1,014,127	428,000
Investing:		
Acquisition of capital assets	(41,309)	(401,663)
Increase in cash and short-term deposits	608,387	2,959
Cash and short-term deposits, beginning of year	2,959	–
Cash and short-term deposits, end of year	$ 611,346	$ 2,959

See accompanying notes to financial statements.

1. **Nature of operations:**

   The Corporation was incorporated under the Business Corporation Act of Alberta on June 30, 1995, and commenced operation on July 1, 1995. The Corporation's principal business activities include research and development and marketing of products and services relating to location tracking of cellular telephone technology.

2. **Recovery of assets:**

   Ultimate recoverability of the Corporation's assets is dependent upon the Corporation completing the development, and successfully commercializing, its location tracking technology, which are dependent on the availability of additional financing on terms acceptable to the Corporation and market conditions.

3. **Significant accounting policies:**

   (a) Capital assets:

   Capital assets are recorded at cost less related investment tax credits. Depreciation is provided using the straight-line method at the following annual rates:

Assets	Rate
Intellectual property licences and patent	20%
Equipment and furniture	20% - 33%

   Amortization of intellectual property licences and patent will begin when the Corporation begins to sell the tracking technology commercially.

   (b) Research and development costs:

   Research and development costs are expensed as incurred except if the development costs are recoverable and directly related to the development of new products, processes or systems. The Corporation strictly interprets the assessment of whether development costs should be capitalized. Amortization of capitalized development costs commences when commercial production begins, using the straight-line method over periods of three to five years. When permanent impairment occurs, such capitalized costs are written off. Substantially all of the Corporation's expenses, except for marketing expenses, are related to research and development.

3. **Significant accounting policies (continued):**

(c) Government assistance:

The Corporation periodically applies for financial assistance under government incentive programs. Government assistance relating to capital expenditures is reflected as a reduction of the cost of such assets. Government assistance relating to research and development expenditures is recorded as a reduction of current year expenses when the related expenditures are incurred.

(d) Number of shares and per share amounts:

Number of shares and per share amounts are stated and calculated after giving retroactive effect to the stock split described in note 7(a).

4. **Capital assets:**

June 30, 1997	Cost	Accumulated depreciation	Net book value
Intellectual property licences	**$ 400,000**	**$ –**	**$ 400,000**
Equipment and furniture	**42,971**	**4,252**	**38,719**
Patent	**1**	**–**	**1**
	$ 442,972	**$ 4,252**	**$ 438,720**

June 30, 1996	Cost	Accumulated depreciation	Net book value
Intellectual property licences	$ 400,000	$ –	$ 400,000
Equipment and furniture	1,663	549	1,114
	$ 401,663	$ 549	$ 401,114

5. **Recovery of expenses:**

On December 20, 1996 the Corporation entered into a memorandum of understanding ("MOU") with TELUS Mobility Inc. ("Mobility"), a member of Mobility Personacom Canada Ltd., with the intention of entering into an agreement to supply Mobility with cellular location equipment. The MOU sets out several milestones to be achieved prior to entering into an agreement. The MOU provided for a non-refundable payment by Mobility of $50,000 to assist the Corporation in achieving these milestones. This amount was recorded as a recovery of expenses as the related expenses were incurred by June 30, 1997.

6. **Related party transactions:**

(a) During 1997, **$80,252** (1996 - $53,587) of operating expenses were incurred on behalf of the Corporation by the Corporation's parent company, by an affiliate of the Corporation in which three officers and two directors of the Corporation are officers and directors and by entities which hold shares in these companies.

(b) On November 30, 1995 the Corporation was granted an exclusive licence by Wi-LAN Inc. to use Wi-LAN's Hopper Plus technology for cellular tracking. In exchange for this licence, the Corporation issued Wi-LAN 1,800,000 common shares. The Corporation has also agreed to purchase the Hopper Plus units and any subsequent modifications from Wi-LAN.

The Corporation has sub-licensed the "Z-Domain" patent rights from Wi-Com Technologies Inc. ("Wi-Com") which licensed this technology from TELUS Communications Inc. ("TELUS"). The Corporation is responsible for a royalty of 1.4% of gross revenues generated from the sale of licensed products to a maximum of $1,000,000, payable to Wi-Com and ultimately payable to TELUS. The Corporation also has access to certain other intellectual property and know-how, provided by certain shareholders. In exchange for the rights acquired in these transactions 5,931,000 common shares were issued.

(c) On September 30, 1996 a wireless location system patent was assigned to the Corporation by its holders, who include parties related to the Corporation, for $1.

7. **Share capital:**

(a) Authorized:

On January 24, 1997, the Corporation amended its authorized capital by deleting Class "A" shares and replacing them with an unlimited number of common shares, on the basis of 9,000 common shares for one former Class "A" voting share, and an unlimited number of preferred shares.

7. Share capital (continued):

(b) Issued and outstanding:

	Common Shares	Amount
For cash	144,000	$ 28,000
For intellectual property licence (I)	180,000	–
For intellectual property and know-how (note 6(b))	7,731,000	400,000
Under employee bonus program	1,080,000	–
Outstanding at June 30, 1996	9,135,000	428,000
For cash:		
Prior to initial public offering ("IPO")	243,000	108,000
Option exercised (i)	180,000	40,000
IPO shares issued (ii)	2,500,000	1,000,000
Less: IPO share issue costs	–	(146,973)
Options exercised	32,750	13,100
	2,955,750	1,014,127
Outstanding at June 30, 1997	**12,090,750**	**$ 1,442,127**

(i) University Technologies International Inc. ("UTI") has granted the Corporation an exclusive licence dated February 15, 1996 for technology known as "Cellular Telephone Positioning System" for 30 years or until the patent expires. In consideration for these rights UTI received 2% of the equity of the Corporation representing 180,000 common shares and, while the Corporation was privately held, a one time option, exercised in March 1997, to purchase 180,000 additional shares for $40,000.

(ii) On April 16, 1997 the Corporation completed an initial public offering of 2,500,000 common shares at $0.40 per share. The arrangement included the granting of an option to the agent to purchase up to 250,000 common shares at $0.40 per share of which 225,000 remain unexercised at July 25, 1997.

(c) Stock option plan:

The Corporation has a stock option plan for directors, officers, employees and consultants to the Corporation. The Corporation is authorized to issue options up to 10% of the common shares of the Corporation outstanding from time to time. The options are non-assignable and are exercisable for five years. At July 25, 1997, under this plan options were outstanding to purchase 1,077,750 common shares at prices ranging from $0.40 to $2.35 per share.

8. **Income tax losses:**

(a) The Corporation has non-capital income tax losses of approximately $250,000 which may be carried forward to reduce future years' taxable income. These losses begin expiring in 2002.

(b) In addition the Corporation has approximately $225,000 of research and development expenditures available to reduce taxable income in future years.

(c) In 1996 the Corporation earned refundable investment tax credits ("ITC's") at the rate of 35% of certain expenses. As a result the Corporation earned approximately $30,000 in refundable investment tax credits. This amount is reflected as a receivable in the financial statements. In 1997, as a public company, ITC's are earned at the rate of 20%, creditable against federal taxes payable. The Corporation has approximately $73,000 of unclaimed ITC's available for carry forward for 10 years.

The potential future tax benefits that may result from the application of these carry forward amounts have not been recognized in these financial statements.

9. **Financial instruments:**

The carrying values of the Corporation's financial assets and liabilities approximate their fair values at June 30, 1997 and 1996.

10. **Commitment:**

Future minimum annual lease payments for office space are as follows:

1998	$	17,339
1999		19,214
2000		20,619
2001		13,746

QUARTERLY FINANCIAL SUMMARY

	For the three months ended				
	Sept. 30	Dec. 31	Mar. 31	June 30	Total
Operating expenses:					
Salaries and benefits	$ 41,321	$ 36,122	$ 46,831	$145,251	**$269,525**
Depreciation and amortization	450	499	1,260	1,494	**3,703**
General and administrative	2,402	17,964	23,921	110,854	**155,141**
Marketing	430	8,453	9,748	72,268	**90,899**
	44,603	63,038	81,760	329,867	**519,268**
Less:					
Recovery of expenses	-	-	-	50,000	**50,000**
Interest income	-	-	-	3,445	**3,445**
Government assistance	12,000	-	2,250	-	**14,250**
	12,000	-	2,250	53,445	**67,695**
Net loss	$(32,603)	$(63,038)	$(79,510)	$(276,422)	**$(451,573)**

MARKET INFORMATION

The Company's common shares are listed on the Alberta Stock Exchange and trade under the symbol "CLQ". The shares commenced trading on April 16, 1997.

The following table sets forth the high and low prices and volumes for the Company's common shares since trading commenced until September 30, 1997:

	High $	Low $	Volume (shares)
April	1.85	1.20	796,000
May	3.75	1.40	722,700
June	3.80	2.40	287,963
July	3.65	2.50	151,670
August	2.90	2.10	134,000
September	3.00	1.85	116,550

CORPORATE INFORMATION

Board of Directors

John S. Webb *Calgary, Alberta*	President and Chief Executive Officer of the Company
Michel Fattouche *Calgary, Alberta*	Chief Technical Officer of the Company
Charles N. D. Hotzel *Calgary, Alberta*	Solicitor, Kutz Hotzel
Frank W. King *Calgary, Alberta*	President, Metropolitan Investment Corporation
Alastair J. Robertson *Calgary, Alberta*	Chief Financial Officer of the Company
Tom R. Saunders *Calgary, Alberta*	President and Chief Executive Officer, Columbia Health Care Inc.
Hatim Zaghloul *Calgary, Alberta*	President and Chief Executive Officer, Wi-LAN Inc.

Officers

John S. Webb *Calgary, Alberta*	President and Chief Executive Officer
Hatim Zaghloul *Calgary, Alberta*	Chairman of the Board
Michel Fattouche *Calgary, Alberta*	Chief Technical Officer
Alastair J. Robertson *Calgary, Alberta*	Chief Financial Officer
Jim R. George *Calgary, Alberta*	Vice President of Marketing and Technology

REGISTRAR AND TRANSFER AGENT

The Montreal Trust Company of Canada, Calgary

AUDITORS

KPMG,
Chartered Accountants, Calgary, Alberta

STOCK LISTED

The Alberta Stock Exchange (symbol "CLQ")

INVESTOR RELATIONS INFORMATION

Attention: Investor Relations
Suite 207, 12 Manning Close N.E.
Calgary, Alberta.
T2E 7N6
email: invest@cell-loc.com

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